

**FINANCIAL STATEMENTS - REGULATORY BASIS
AND REPORTS OF INDEPENDENT AUDITOR**

**TAHLEQUAH SCHOOL DISTRICT NO. I-35,
CHEROKEE COUNTY, OKLAHOMA**

JUNE 30, 2013

Audited by

**JACK H. JENKINS
CERTIFIED PUBLIC ACCOUNTANT
A PROFESSIONAL CORPORATION
TULSA, OK**

**INDEPENDENT SCHOOL DISTRICT NO. I-35
CHEROKEE COUNTY, OKLAHOMA
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-35
CHEROKEE COUNTY, OKLAHOMA
JUNE 30, 2013**

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**INDEPENDENT SCHOOL DISTRICT NO. I-35
CHEROKEE COUNTY, OKLAHOMA
SCHOOL DISTRICT OFFICIALS
JUNE 30, 2013**

BOARD OF EDUCATION

President	Shannon Pinson
Vice-President	Brian Berry
Member	Donna Tinnin
Member	Sharon Ballew
Member	David Morrison

SUPERINTENDENT OF SCHOOLS

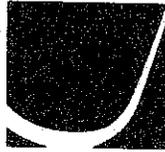
Lisa Presley

MINUTES CLERK

Diane Adamson

SCHOOL DISTRICT TREASURER

Danny Mason



Jack H. Jenkins, CPA *A Professional Corporation*

INDEPENDENT AUDITOR'S REPORT

The Honorable Board of Education
Tahlequah School District No. I-035
Tahlequah, Oklahoma 74465-0517

I have audited the accompanying regulatory basis financial statements of Tahlequah School District No. I-035, Tahlequah, Oklahoma, as listed in the table of contents as of and for the year ended June 30, 2013. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall combined financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

As discussed in Note 1, these financial statements were prepared in conformity with the accounting and financial reporting regulations prescribed by the Oklahoma State Department of Education that demonstrates compliance with the cash basis and budget laws of Oklahoma, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The differences between the regulatory basis of accounting and accounting principles generally accepted in the United States of America are also described in Note 1.

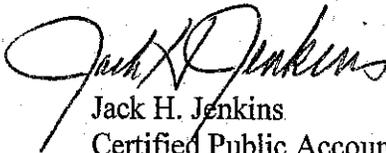
Also, as discussed in Note 1, the regulatory basis financial statements referred to above do not include the general fixed asset account group. The amount that should be recorded in the general fixed assets group is not known. If the general fixed assets account group had been included, the amount of the adjustments to the regulatory basis financial statements is not known.

In my opinion, because of the District's policy to prepare its financial statements on the basis of accounting discussed in the third paragraph, the financial statements referred to above do not present fairly in all material respects, in conformity with accounting principles generally accepted in the United States of America, the financial position of Tahlequah School District No. I-035, Tahlequah, Oklahoma as of June 30, 2013, and the results of its operations for the year then ended.

However, in my opinion, except for the omission of the general fixed assets account group, which results in an incomplete presentation as explained in the fourth paragraph, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and equity arising from regulatory basis transactions of each fund type and account group, where applicable, of Tahlequah School District No. I-035, Tahlequah, Oklahoma, as of June 30, 2013, and the revenues collected and expenditures paid for the year then ended on the regulatory basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, I have also issued a report dated December 13, 2013, on my consideration of the District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the regulatory basis financial statements that collectively comprise Tahlequah School District No. I-035's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the combined financial statements. The combining fund statements and supporting schedules listed in the table of contents are presented for purposes of additional analysis. This other supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.



Jack H. Jenkins
Certified Public Accountant, P.C.

December 13, 2013

COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
COMBINED STATEMENT OF ASSETS, LIABILITIES AND FUND EQUITY -
REGULATORY BASIS - ALL FUND TYPES AND ACCOUNT GROUPS
JUNE 30, 2013**

ASSETS	GOVERNMENTAL FUND TYPES			FIDUCIARY FUND TYPES		ACCOUNT GROUP		TOTALS	
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	EXPENDABLE TRUST AND AGENCY FUND	GENERAL	LONG-TERM DEBT	2013	(Memorandum Only) 2012	
Cash	\$ 10,386,598	2,577,603	2,083,790	240,420			15,288,411	15,853,868	
Investments				239,019			239,019	236,579	
Amounts available in debt service						127,740	127,740	62,789	
Amounts to be provided for retirement of general long-term debt						5,145,682	5,145,682	6,238,403	
Total Assets	<u>10,386,598</u>	<u>2,577,603</u>	<u>2,083,790</u>	<u>479,439</u>	<u>5,273,422</u>	<u>5,273,422</u>	<u>20,800,852</u>	<u>22,391,639</u>	

LIABILITIES AND FUND EQUITY

Liabilities								
Warrants payable	2,622,982	33,706					2,656,688	2,943,125
Encumbrances	213,470	17,905					231,375	60,269
Funds held for school organizations				479,439			479,439	434,368
Unmatured obligations			1,956,050				1,956,050	1,868,350
Long-term debt:								
Bonds payable						3,910,000	3,910,000	4,930,000
Capital leases						1,363,422	1,363,422	1,371,192
Total liabilities	<u>2,836,452</u>	<u>51,611</u>	<u>1,956,050</u>	<u>479,439</u>	<u>5,273,422</u>	<u>10,596,974</u>	<u>11,607,304</u>	
Fund Equity								
Cash fund balances	<u>7,550,146</u>	<u>2,525,992</u>	<u>127,740</u>				<u>10,203,878</u>	<u>10,784,335</u>
Total Liabilities and Fund Equity	<u>\$ 10,386,598</u>	<u>2,577,603</u>	<u>2,083,790</u>	<u>479,439</u>	<u>5,273,422</u>	<u>20,800,852</u>	<u>22,391,639</u>	

The notes to the combined financial statements are an integral part of this statement

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH FUND BALANCES
REGULATORY BASIS - ALL GOVERNMENTAL FUND TYPES
JUNE 30, 2013

	GOVERNMENTAL FUND TYPES			TOTALS		
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS	(Memorandum Only) 2013	2012
Revenues						
Local sources	\$ 3,830,721	466,858	2,051,484	431	6,349,494	5,928,044
Intermediate sources	395,170				395,170	367,632
State sources	17,324,734	118,355	17		17,443,106	17,546,923
Federal sources	5,107,686	151,815			5,259,501	5,646,000
Non-revenue receipts	93,703	125,000			218,703	252,154
Total revenues	<u>26,752,014</u>	<u>862,028</u>	<u>2,051,501</u>	<u>431</u>	<u>29,665,974</u>	<u>29,740,753</u>
Expenditures						
Instruction	15,323,320	171,028			15,494,348	14,763,993
Support services	10,134,809	265,567		404,469	10,804,845	9,834,908
Operation of non-instructional services	2,024,604				2,024,604	1,809,084
Facilities, acquisition and const. services		38,064		391,900	429,964	993,502
Other outlays	228,955				228,955	305,573
Other uses					-	5,637
Repayments					-	424
Debt service			1,986,550		1,986,550	1,915,320
Total expenditures	<u>27,711,688</u>	<u>474,659</u>	<u>1,986,550</u>	<u>796,369</u>	<u>30,969,266</u>	<u>29,628,441</u>
Revenues over (under) expenditures	(959,674)	387,369	64,951	(795,938)	(1,303,292)	112,312
Other financing sources (uses)						
Operating transfers in (out)		(6,796)		6,796	-	-
Bank fees	(540)				(540)	-
Lapsed appropriations	32,485			(6,852)	25,633	428,339
Estopped warrants	674				674	2,900
Bond proceeds				785,000	785,000	685,000
Total other financing sources (uses)	<u>32,619</u>	<u>(6,796)</u>		<u>784,944</u>	<u>810,767</u>	<u>1,116,239</u>
Revenue and other sources over (under) expenditures and other uses	(927,055)	380,573	64,951	(10,994)	(492,525)	1,228,551
Cash fund balance, beginning of year	8,477,201	2,145,419	62,789	10,994	10,784,335	9,555,784
Cash fund balance, end of year	<u>\$ 7,550,146</u>	<u>2,525,992</u>	<u>127,740</u>	<u>-</u>	<u>10,203,878</u>	<u>10,784,335</u>

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - BUDGETED GENERAL FUND
 JUNE 30, 2013**

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 2,986,585	2,986,585	3,830,721
Intermediate sources	337,956	337,956	395,170
State sources	17,063,847	18,494,765	17,324,734
Federal sources	3,313,554	3,739,830	5,107,686
Non-revenue receipts			93,703
Total revenues	<u>23,701,942</u>	<u>25,559,136</u>	<u>26,752,014</u>
Expenditures			
Instruction	11,434,951	13,292,145	15,323,320
Support services	8,698,672	8,698,672	10,134,809
Operation of non-instructional services			2,024,604
Other outlays	200,000	200,000	228,955
Non-categorical	11,845,520	11,845,520	
Total expenditures	<u>32,179,143</u>	<u>34,036,337</u>	<u>27,711,688</u>
Revenues over (under) expenditures	(8,477,201)	(8,477,201)	(959,674)
Other financing sources (uses)			
Bank fees			(540)
Lapsed appropriations			32,485
Estopped warrants			674
Total other financing sources (uses)			<u>32,619</u>
Revenue and other sources over (under) expenditures and other uses	(8,477,201)	(8,477,201)	(927,055)
Cash fund balance, beginning of year	<u>8,477,201</u>	<u>8,477,201</u>	<u>8,477,201</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>7,550,146</u>

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
 JUNE 30, 2013**

	SPECIAL REVENUE FUNDS		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 373,086	505,020	466,858
State Sources	158,385	158,385	118,355
Federal sources			151,815
Other Sources			125,000
Total revenues	<u>531,471</u>	<u>663,405</u>	<u>862,028</u>
Expenditures			
Instruction			171,028
Support services			265,567
Facilities, acquisition and const. services			38,064
Non-categorical	2,676,890	2,808,824	
Total expenditures	<u>2,676,890</u>	<u>2,808,824</u>	<u>474,659</u>
Revenues over (under) expenditures	(2,145,419)	(2,145,419)	387,369
Other financing sources (uses)			
Operating transfers in (out)			(6,796)
Total other financing sources (uses)			<u>(6,796)</u>
Revenue and other sources over (under) expenditures and other uses	(2,145,419)	(2,145,419)	380,573
Cash fund balance, beginning of year	<u>2,145,419</u>	<u>2,145,419</u>	<u>2,145,419</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>2,525,992</u>

The notes to the combined financial statements are an integral part of this statement

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
 COMBINED STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
 REGULATORY BASIS - DEBT SERVICE FUNDS
 JUNE 30, 2013**

	DEBT SERVICE FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Revenues			
Local sources	\$ 1,923,761	1,923,761	2,051,484
State sources			17
Total revenues	<u>1,923,761</u>	<u>1,923,761</u>	<u>2,051,501</u>
Expenditures			
Other outlays			
Debt service	<u>1,986,550</u>	<u>1,986,550</u>	<u>1,986,550</u>
Revenues over (under) expenditures	(62,789)	(62,789)	64,951
Cash fund balance, beginning of year	<u>62,789</u>	<u>62,789</u>	<u>62,789</u>
Cash fund balance, end of year	<u>\$ -</u>	<u>-</u>	<u>127,740</u>

The notes to the combined financial statements are an integral part of this statement

**NOTES TO COMBINED FINANCIAL STATEMENTS -
REGULATORY BASIS**

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies

The basic financial statements of the Tahlequah Public Schools Independent District No. I-35 (the "District") have been prepared in conformity with another comprehensive basis of accounting as prescribed by the Oklahoma State Department of Education. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The District is a corporate body for public purposes created under Title 70 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes.

The District is part of the public school system of Oklahoma under the general direction and control of the State Board of Education and is financially dependent on state of Oklahoma support. The general operating authority for the public school system is the Oklahoma School Code contained in Title 70, Oklahoma Statutes.

The governing body of the District is the Board of Education composed of elected members. The appointed superintendent is the executive officer of the District.

In evaluating how to define the District, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB). The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the District and/or its citizens, or whether the activity is conducted within the geographic boundaries of the District and is generally available to its patrons. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the District is able to exercise oversight responsibilities. Based upon the application of these criteria, there are no potential component units included in the District's reporting entity. The Parent Teacher Association (PTA) is not included in the reporting entity. The District does not appoint any of the board members or exercise any oversight authority over the PTA.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting

The District uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain district functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types."

Governmental Fund Types

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked monies (special revenue funds), the acquisition or construction of general fixed assets (capital projects funds), and the servicing of general long-term debt (debt service funds).

General Fund - The general fund is used to account for all financial transactions except those required to be accounted for in another fund. Major revenue sources include state and local property taxes and state funding under the Foundation and Incentive Aid Program. Expenditures include all costs associated with the daily operations of the schools except for programs funded for building repairs and maintenance, school construction and debt service on bonds and other long-term debt. The general fund includes federal and state restricted monies that must be expended for specific programs.

Special Revenue Fund - The special revenue funds are the District's building, co-op and child nutrition funds.

Building Fund - The building fund consists of monies derived property taxes levied for the purpose of erecting, remodeling, repairing, or maintaining school buildings and for purchasing furniture, equipment and computer software to be used on or for the school district property, for paying energy and utility costs, for purchasing telecommunications services, for paying fire and casualty insurance premiums for school facilities, for purchasing security systems, and for paying salaries of security personnel.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

B. Fund Accounting - contd.

Co-op Fund - The co-op fund is established when the boards of education of two or more school districts enter into cooperative agreements and maintain joint programs. The revenues necessary to operate a cooperative program can come from federal, state, or local sources, including the individual contributions of participating school districts. The expenditures for this fund would consist of those necessary to operate and maintain the joint programs.

Child Nutrition Fund - The child nutrition fund consists of monies derived from federal and state financial assistance and food sales. This fund is used to account for the various nutrition programs provided to students. The District did not maintain this fund during the 2012-13 fiscal year.

Debt Service Fund - The debt service fund is the District's sinking fund and is used to account for the accumulation of financial resources for the payment of general long-term (including judgments) debt principal, interest and related costs. The primary revenue sources are local property taxes levied specifically for debt service and interest earnings from temporary investments.

Capital Projects Funds - The capital projects fund is the District's bond fund and is used to account for the proceeds of bond sales to be used exclusively for acquiring school sites, constructing and equipping new school facilities, renovating existing facilities, and acquiring transportation equipment.

Proprietary Fund Types

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful to sound financial administration. Goods or services from such activities can be provided either to outside parties (enterprise funds) or to other departments or agencies primarily within the District (internal service funds). The District has no proprietary fund types.

Fiduciary Fund Types

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the District. When these assets are held under a trust agreement, either a nonexpendable trust fund or an expendable trust fund is used depending on whether there is an obligation to maintain trust principal. Agency

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies- contd.**

B. Fund Accounting - contd.

funds are used to account for assets that the District holds on behalf of others as their agent and do not involve measurement of results of operations.

Expendable Trust Funds - Expendable trust funds include the gifts fund, medical insurance fund, workers compensation fund and the insurance recovery fund. The District did not maintain any expendable trust funds during the 2012-13 fiscal year.

Gifts Fund - The gifts fund receives its assets by way of philanthropic foundations, individuals, or private organizations for which no repayment or special service to the contributor is expected. This fund is used to promote the general welfare of the District.

Medical Insurance Fund - The medical insurance fund accounts for revenues and expenditures for all types of self-funded medical insurance coverage.

Workers Compensation Fund - The workers compensation fund accounts for revenues and expenditures for workers compensation claims.

Insurance Recovery Fund - The insurance recovery fund accounts for all types of insurance recoveries, major reimbursements and reserves for property repairs and replacements.

Agency Fund - The agency fund is the school activities fund which is used to account for monies collected principally through fundraising efforts of the student and District-sponsored groups. The administration is responsible, under the authority of the Board, in collecting, disbursing and accounting for these activity funds.

Account Group

Account groups are not funds and consist of a self-balancing set of accounts used only to establish accounting control over long-term debt and fixed assets.

General Long-Term Debt Account Group - This account group was established to account for all long-term debt of the District, which is offset by the amount available in the debt service fund and the amount to be provided in future years to complete retirement of the debt principal. It is also used to account for other liabilities (judgments and lease purchases), which are to be paid from funds provided in future years.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

B. *Fund Accounting* - contd.

General Fixed Assets Account Group - This account group is used by governments to account for the property, plant and equipment of the school district. The District does not have the information necessary to include this group in its financial statements.

Memorandum Only - Total Column

The total column on the combined financial statements - regulatory basis is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations or cash flows in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

C. *Basis of Accounting and Presentation*

The District prepares its financial statements in a presentation format that is prescribed by the Oklahoma State Department of Education. This format is essentially the generally accepted form of presentation used by state and local governments prior to the effective date of GASB Statement No. 34, *Basic Financial Statements-Management's Discussion and Analysis-for State and Local Governments*. This format significantly differs from that required by GASB 34.

The basic financial statements are essentially prepared on a basis of cash receipts and disbursements modified as required by the regulations of the Oklahoma State Department of Education (OSDE) as follows:

- Encumbrances represented by purchase orders, contracts, and other commitments for the expenditure of monies and are recorded as expenditures when approved.
- Investments and inventories are recorded as assets when purchased.
- Warrants payable are recorded as liabilities when issued.
- Long-term debt is recorded when incurred.
- Accrued compensated absences are recorded as an expenditure and liability when the obligation is incurred.

This regulatory basis of accounting differs from accounting principles generally accepted in the United States of America, which requires revenues to be recognized when they become available and measurable, or when they are earned, and expenditures or expenses to be

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

C. Basis of Accounting and Presentation – contd.

recognized when the related liabilities are incurred for governmental fund types; and, when revenues are earned and liabilities are incurred for proprietary fund types and trust funds.

D. Budgets and Budgetary Accounting

The District is required by state law to prepare an annual budget. A preliminary budget must be submitted to the Board of Education by December 31 for the fiscal year beginning the following July 1. If the preliminary budget requires an additional levy, the District must hold an election on the first Tuesday in February to approve the levy. If the preliminary budget does not require an additional levy, it becomes the legal budget. If an election is held and the taxes are approved, then the preliminary budget becomes the legal budget. If voters reject the additional taxes, the District must adopt a budget within the approved tax rate.

The District may upon approval by a majority of the electors of the District voting on the question make the ad valorem levy for emergency levy and local support levy permanent.

Under current Oklahoma Statutes, a formal budget is required for all funds except for trust and agency funds. Budgets are presented for all funds that include the originally approved budgeted appropriations for expenditures and final budgeted appropriations as adjusted for supplemental appropriations and approved transfers between budget categories.

E. Assets, Liabilities and Fund Equity

Cash - Cash consists of cash on hand, demand deposit accounts, and interest bearing checking accounts.

Investments - Investments consist of direct obligations of the United States Government and agencies; certificates of deposit of savings and loan associations, bank and trust companies; savings accounts or savings certificates of savings and loan associations, and trust companies; and warrants, bonds or judgments of the district. All investments are recorded at cost, which approximates market value.

Inventories - The value of consumable inventories at June 30, 2013 is not material to the combined financial statements-regulatory basis.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013

1. **Summary of Significant Accounting Policies-** contd.

E. Assets, Liabilities and Fund Equity – contd.

Fixed Assets and Property, Plant and Equipment - The General Fixed Asset Account Group is not presented.

Warrants Payable - Warrants are issued to meet the obligations for goods and services provided to the District. The District recognizes a liability for the amount of outstanding warrants that have yet to be redeemed by the District's treasurer.

Encumbrances - Encumbrances represent commitments related to purchase orders, contracts, other commitments for expenditures or resources, and goods or services received by the District for which a warrant has not been issued. An expenditure is recorded and a liability is recognized for outstanding encumbrances at year end in accordance with the regulatory basis of accounting.

Unmatured Obligations - The unmatured obligations represent the total of all annual accruals for both principal and interest, based on the lengths of the bonds and/or judgments, less all principal and interest payments through the balance sheet date in accordance with the regulatory basis of accounting.

Funds Held for School Organizations - Funds held for school organizations represent the funds received or collected from students or other co-curricular and extracurricular activities conducted in the district, control over which is exercised by the board of education. These funds are credited to the account maintained for the benefit of each particular activity within the school activity fund.

Long-Term Debt - Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

Cash Fund Balance - Cash fund balance represents the funds not encumbered by purchase order, legal contracts, outstanding warrants and unmatured obligations.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. Summary of Significant Accounting Policies- contd.

F. Revenue and Expenditures

Local Revenues - Revenue from local sources is the money generated from within the boundaries of the District and available to the District for its use. The District is authorized by state law to levy property taxes, which consist of ad valorem taxes on real and personal property within the District. These property taxes are distributed to the District's general, building and sinking funds based on the levies approved for each fund. The County Assessor, upon receipt of the certification of tax levies from the county excise board, extends the tax levies on the tax roll for submission to the county treasurer prior to October 1. The county treasurer must commence tax collection within fifteen days of receipt of the tax rolls. The first half of taxes are due prior to January 1. The second half is due prior to April 1.

If the first payment is not made timely, the entire tax becomes due and payable on January 2. Second half taxes become delinquent on April 1 of the year following the year of assessment. If not paid by the following October 1, the property is offered for sale for the amount of taxes due. The owner has two years to redeem the property by paying the taxes and penalty owed. If at the end of two years the owner has not done so, the purchaser is issued a deed to the property.

Other local sources of revenues include interest earnings, tuition, fees, rentals, disposals, commissions and reimbursements.

Intermediate Revenues - Revenue from intermediate sources is the amount of money from funds collected by an intermediate administrative unit, or a political subdivision between the district and the state, and distributed to districts in amounts that differ in proportion to those which were collected within such systems.

State Revenues - Revenues from state sources for current operations are primarily governed by the state aid formula under the provisions of Article XVIII, Title 70, Oklahoma Statutes. The State Board of Education administers the allocation of state aid funds to school districts based on information accumulated from the Districts.

After review and verification of reports and supporting documentation, the State Department of Education may adjust subsequent fiscal period allocations of money for prior year errors disclosed by review. Normally such adjustments are treated as reductions or additions of revenue of the year when the adjustment is made.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

F. Revenue and Expenditures- contd.

The District receives revenue from the state to administer certain categorical educational programs. State Board of Education rules require that revenue earmarked for these programs be expended only for the program for which the money is provided and require that the money not expended as of the close of the fiscal year be carried forward into the following year to be expended for the same categorical programs. The State Department of Education requires categorical educational program revenues be accounted for in the general fund.

The aforementioned state revenues are apportioned to the District's general fund.

Federal Revenues - Federal revenues consist of revenues from the federal government in the form of operating grants or entitlements. An operating grant is a contribution to be used for a specific purpose, activity or facility. A grant may be received either directly from the federal government or indirectly as a pass-through from another government, such as the state.

An entitlement is the amount of payment to which the District is entitled pursuant to an allocation formula contained in applicable statutes.

The majority of the federal revenues received by the District are apportioned to the general fund. The District maintains a building fund and the non-special education portion of PL874 Impact Aid are apportioned there.

Non-Revenue Receipts - Non-revenue receipts represent receipts deposited into a fund that are not new revenues to the District, but the return of assets.

Instruction Expenditures - Instruction expenditures include the activities dealing directly with the interaction between teachers and students. Teaching may be provided for students in a school classroom, in another location, such as a home or hospital, and in other learning situations, such as those involving co-curricular activities. It may also be provided through some other approved medium, such as television, radio, telephone and correspondence.

Included here are the activities of teacher assistants of any type (clerks, graders, teaching machines, etc.), which assist in the instructional process. The activities of tutors, translators and interpreters would be recorded here. Department chairpersons who teach for any portion of time are included here. Tuition/transfer fees paid to other LEAs would be included here.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

1. **Summary of Significant Accounting Policies-** contd.

F. Revenue and Expenditures - contd.

Support Services Expenditures - Support services expenditures provide administrative, technical (such as guidance and health) and logistical support to facilitate and enhance instruction. These services exist as adjuncts for fulfilling the objectives of instruction, community services and enterprise programs, rather than as entities within themselves.

Operation of Non-Instructional Services Expenditures - Activities concerned with providing non-instructional services to students, staff or the community.

Facilities Acquisition and Construction Services Expenditures - Consists of activities involved with the acquisition of land and buildings; remodeling buildings; the construction of buildings and additions to buildings; initial installation or extension of service systems and other built-in equipment; and improvement to sites.

Other Outlays/Uses Expenditures - A number of outlays of governmental funds are not properly classified as expenditures, but still require budgetary or accounting control. These are classified as Other Outlays. These include debt service payments (principal and interest) when applicable. Other uses include scholarships provided by private gifts and endowments; student aid and staff awards supported by outside revenue sources (i.e., foundations). Also, expenditure for self-funded employee benefit programs administered either by the District or a third party administrator.

Repayment Expenditures - Repayment expenditures represent checks/warrants issued to outside agencies for refund or restricted revenue previously received for overpayment, non-qualified expenditures and other refunds to be repaid from District funds.

Inter-fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund or expenditure/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund transfers are reported as operating transfers. During 2012-13, there was an inter-fund transfer of \$685 from the Bond Fund 32 to Bond Fund 34 and a transfer of \$6,796 from the Building Fund to Bond Fund 31.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

2. Deposits and Investments

Custodial Credit Risk

At June 30, 2013, the District held deposits of approximately \$15,527,430 at financial institutions. The District's cash deposits, including interest-bearing certificates of deposit, are entirely covered by Federal Depository Insurance (FDIC) or direct obligation of the U.S. government insured or collateralized with securities held by the District or by its agent in the District's name.

Investment Interest Rate Risk

The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment Credit Risk

The District has no policy that limits its investment choices other than the limitation of state law as follows:

- a. Direct obligations of the U.S. Government, its agencies and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposits or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposits or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal or school district tax supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipations notes of public trusts whose beneficiary is a county, municipality or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
- f. Money market funds regulated by the SEC and in which investments consist of the investments mentioned in the previous paragraphs (a.-d.).

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

2. Deposits and Investments – cont'd

The investments held at June 30, 2013 are as follows:

Type	Weighted Average Maturity (Months)	Market Value	Cost
Investments			
Money Market		\$ 0	\$ 0
Municipal tax-supported money judgments		0	0
Certificate of Deposit		<u>239,019</u>	<u>239,019</u>
Total investments		<u>\$ 239,019</u>	<u>\$ 239,019</u>

Concentration of Investment Credit Risk

The District places no limit on the amount it may invest in any one issuer. The District has the following of credit risk: 0% in Money Market funds, 0% in Municipal tax-supported money judgments and 100% in CDs (\$239,019).

3. General Long-term Debt

State statutes prohibit the District from becoming indebted in an amount exceeding the revenue to be received for any fiscal year without approval by the District's voters. Bond issues can be approved by the voters and issued by the District for various capital improvements. These bonds are required to be fully paid serially within 25 years of the date of issue.

General long-term debt of the District consists of bonds payable and four (4) capital leases. Debt service requirements for bonds are payable solely from the fund balance and the future revenues of the debt service fund.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

3. General Long-term Debt – contd.

The following is a summary of the long-term debt transactions of the District for the year ended June 30, 2013:

	Bonds Payable	Capital Leases	Totals
Balance, July 1, 2011	\$ 4,930,000	1,371,192	6,301,192
Additions	785,000	376,459	1,161,459
Retirements	1,805,000	384,229	2,189,229
Balance, June 30, 2012	<u>\$ 3,910,000</u>	<u>1,363,422</u>	<u>5,273,422</u>

A brief description of the outstanding long-term debt at June 30, 2013 is set forth below:

	<u>Amount outstanding</u>
<u>General Obligation Bonds</u>	
Combined Purpose Bonds, Series 2009, original issue \$3,750,000, interest rate of 2.55-4.00%, due in an initial installment of \$90,000 on 7-01-11, annual installments thereafter of \$1,220,000, final payment due 7-01-14;	\$ 2,440,000
Building Bonds, Series 2011, original issue \$685,000, interest rate of 1.50%, due in one installment of \$685,000 due 7-01-13;	685,000
Comb. Purpose Bonds, Series 2012, original issue \$785,000, interest rate of 0.70%, due in one installment of \$785,000 due 7-01-14;	785,000
<u>Capital Leases</u>	
Lease agreement for capital equipment/improvements, totaling \$622,793, dated 5-23-07, interest rate of 4.83%, annual payments beginning 7-25-08 totaling \$106,976, final payment 7-25-14;	\$ 199,388

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

3. **General Long-term Debt – contd.**

	<u>Amount outstanding</u>
<u>Capital Leases – contd.</u>	
Lease agreement for equipment, totaling \$355,159, dated 8-20-12, interest rate of 2.75%, monthly payments beginning 9-1-12 totaling \$5,977, final payment 8-1-17;	\$ 282,059
Lease agreement for 2012 Dodge Ag Truck, totaling \$41,300, dated 4-12-10, interest rate of 3.375%, annual payments beginning 1-31-13 totaling \$8,951, final payment 1-31-17;	32,975
Lease agreement for capital equipment/improvements, totaling \$1,000,000, dated 8-24-10, interest rate of 6.87%, annual payments beginning 2-24-11 of various amounts, final payment 8-24-20;	<u>849,000</u>
Totals	<u>\$ 5,273,422</u>

The annual debt service requirements for the retirement of bond principal, and payment of interest are as follows:

Year ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2014	1,905,000	64,573	1,969,573
2015	2,005,000	18,302	2,023,302
Total	<u>\$ 3,910,000</u>	<u>82,875</u>	<u>3,992,875</u>

There was \$93,850 interest paid on long-term debt incurred during the current year.

The annual debt service requirements for capital lease principal, and interest are as follows:

Year ending	Principal	Interest	Total
<u>June 30</u>	<u> </u>	<u> </u>	<u> </u>
2014	\$ 252,960	73,166	326,126
2015	265,733	60,485	326,218
2016	171,814	47,108	218,922
2017	181,002	38,152	219,154
2018	119,913	29,307	149,220
Thereafter	372,000	39,434	411,434
Total	<u>\$ 1,363,422</u>	<u>287,652</u>	<u>1,651,074</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

4. Employee Retirement System

Plan Description

The District participates in the state-administered Oklahoma Teachers' Retirement Plan, a cost-sharing, multiple-employer defined benefit public employee retirement system (PERS), which is administered by the board of trustees of the Oklahoma Teachers' Retirement System (the "System"). The System provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Title 70 Section 17 of the Oklahoma Statutes establishes benefit provisions and may be amended only through legislative action. The Oklahoma Teachers' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to Teachers' Retirement System of Oklahoma, P.O. Box 53524, Oklahoma City, OK 73152 or by calling (405) 521-2387.

Basis of Accounting

The System's financial statements are prepared using the cash basis of accounting, except for accruals of interest income. Plan member contributions are recognized in the period in which the contributions are made. Benefits and refunds are recognized when paid. The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits. This pension valuation method reflects the present value of estimated pension benefits that will be paid in future years as a result of employee services performed to date and is adjusted for the effect of projected salary increases. There are no actuarial valuations performed on individual school districts. The System has an under-funded pension benefit obligation as determined as part of the latest actuarial valuation.

Funding Policy

The District, the State of Oklahoma, and the participating employee make contributions. The contribution rates for the District and its employees are established by and may be amended by Oklahoma Statutes. The rates are not actuarially determined. The rates are applied to the employee's earnings plus employer-paid fringe benefits. The required contribution for the participating members is 7.0% of compensation. Beginning, July 1, 2010, the District and State were required to contribute 14.5% of applicable compensation. Contributions received by the System are from a percentage of its revenues from sales taxes, use taxes, corporate income taxes and individual income taxes. The District contributed 9.5% beginning January 1, 2010 and the State of Oklahoma contributed the remaining 5.0% during the year. The District is allowed by the Oklahoma Teacher's Retirement System to make the required contributions on behalf of the participating members. In addition, the District is required to match the retirement paid on salaries that are funded with federal funds.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
NOTES TO COMBINED FINANCIAL STATEMENTS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2013**

4. Employee Retirement System – contd.

Annual Pension Cost

The District's portion of the total contributions for 2013, 2012 and 2011 were \$1,635,394, \$1,566,253, and \$1,487,157 respectively.

5. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

6. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District continues to carry commercial insurance for these risks, including general and auto liability, property damage, and public officials liability. Settled claims resulting from these risks have not exceeded the commercial insurance coverage in any of the past three fiscal years.

7. Subsequent Events

Management has evaluated subsequent events through the date of the audit report, which is the date the financial statements were available to be issued and have determined that no additional information needs to be added to the financial statements.

**OTHER SUPPLEMENTARY INFORMATION – REGULATORY
BASIS - COMBINING FINANCIAL STATEMENTS**

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
COMBINING STATEMENT OF ASSETS, LIABILITIES AND
FUND EQUITY - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2013

<u>ASSETS</u>	<u>BUILDING FUND</u>	<u>COOP FUND</u>	<u>TOTALS</u> (Memorandum Only)	
			<u>2013</u>	<u>2012</u>
Cash	\$ 2,550,602	27,001	2,577,603	2,212,787
 <u>LIABILITIES AND FUND EQUITY</u>				
Liabilities				
Warrants payable	6,705	27,001	33,706	67,368
Encumbrances	17,905		17,905	-
Total liabilities	<u>24,610</u>	<u>27,001</u>	<u>51,611</u>	<u>67,368</u>
 Fund Equity				
Cash fund balances	<u>2,525,992</u>	<u>-</u>	<u>2,525,992</u>	<u>2,145,419</u>
Total Liabilities and Fund Equity	<u>\$ 2,550,602</u>	<u>27,001</u>	<u>2,577,603</u>	<u>2,212,787</u>

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL SPECIAL REVENUE FUNDS
JUNE 30, 2013

	BUILDING FUND	COOP FUND	TOTALS (Memorandum Only)	
			2013	2012
Revenues				
Local sources	\$ 419,891	46,967	466,858	391,779
State sources	3	118,352	118,355	158,388
Federal sources	151,815		151,815	143,745
Non-revenue receipts		125,000	125,000	176,516
Total revenues	<u>571,709</u>	<u>290,319</u>	<u>862,028</u>	<u>870,428</u>
Expenditures				
Instruction		171,028	171,028	199,574
Support services	146,276	119,291	265,567	242,140
Operation of non-instructional services			-	435
Facilities, acquisition and const. services	38,064		38,064	214,438
Other outlays			-	30,163
Total expenditures	<u>184,340</u>	<u>290,319</u>	<u>474,659</u>	<u>686,750</u>
Revenues over (under) expenditures	387,369	-	387,369	183,678
Other financing sources (uses)				
Operating transfers in (out)	(6,796)		(6,796)	-
Lapsed appropriations			-	40,509
Total other financing sources (uses)	<u>(6,796)</u>		<u>(6,796)</u>	<u>40,509</u>
Revenue and other sources over (under) expenditures and other uses	380,573	-	380,573	224,187
Cash fund balance, beginning of year	<u>2,145,419</u>	<u>-</u>	<u>2,145,419</u>	<u>1,921,232</u>
Cash fund balance, end of year	<u>\$ 2,525,992</u>	<u>-</u>	<u>2,525,992</u>	<u>2,145,419</u>

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL -
- REGULATORY BASIS - ALL BUDGETED SPECIAL REVENUE FUNDS
JUNE 30, 2013

	BUILDING FUND		CO-OP FUND	
	ORIGINAL BUDGET	FINAL BUDGET	ORIGINAL BUDGET	FINAL BUDGET
Revenues		ACTUAL		ACTUAL
Local sources	\$ 373,086	419,891	131,934	46,967
State sources		3	158,385	118,352
Federal sources		151,815		
Non-revenue receipts				125,000
Total revenues	<u>373,086</u>	<u>571,709</u>	<u>158,385</u>	<u>290,319</u>
Expenditures				
Instruction				171,028
Support services		146,276		119,291
Facilities, acquisition and const. services		38,064		
Non-categorical	2,518,505	2,518,505	158,385	290,319
Total expenditures	<u>2,518,505</u>	<u>184,340</u>	<u>158,385</u>	<u>290,319</u>
Revenues over (under) expenditures	(2,145,419)	(2,145,419)	-	-
Other financing sources (uses)				
Operating transfers in (out)		(6,796)		
Total other financing sources (uses)		<u>(6,796)</u>		
Revenue and other sources over (under) expenditures and other uses	(2,145,419)	(2,145,419)	-	-
Cash fund balance, beginning of year	2,145,419	2,145,419	-	-
Cash fund balance, end of year	\$ -	<u>2,525,992</u>	-	-

INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN CASH FUND BALANCES - REGULATORY BASIS - ALL CAPITAL PROJECTS FUNDS
JUNE 30, 2013

	31 BUILDING BOND FUND	32 BUILDING BOND FUND	34 TRANS BOND FUND	35 BUILDING BOND FUND	36 BUILDING BOND FUND	TOTALS (Memorandum Only) 2013	TOTALS (Memorandum Only) 2012
Revenues							
Local sources	\$ 56				375	431	3,756
Expenditures							
Instruction							391,757
Support Services			10,994	13,100	380,375	404,469	685,968
Facilities, acquisition & const. services				391,900		391,900	866,996
Total expenditures			10,994	405,000	380,375	796,369	1,944,721
Revenues over (under) expenditures	56		(10,994)	(405,000)	(380,000)	(795,938)	(1,940,965)
Other financing sources (uses)							
Operating transfers in (out)	6,796		685			6,796	
Lapsed appropriations	(6,852)	(685)				(6,852)	332,568
Bond sales proceeds				405,000	380,000	785,000	685,000
Total other financing sources (uses)	(56)	(685)	685	405,000	380,000	784,944	1,017,568
Revenue and other sources over (under) expenditures and other uses		(685)	(10,309)			(10,994)	(923,397)
Cash fund balance, beginning of year		685	10,309			10,994	934,391
Cash fund balance, end of year	\$ -						10,994

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
 COMBINING STATEMENT OF ASSETS, LIABILITIES AND
 FUND EQUITY - REGULATORY BASIS - ALL FIDUCIARY FUND TYPES
 JUNE 30, 2013**

	AGENCY FUNDS	
	ACTIVITY FUNDS	
	2013	2012
<u>ASSETS</u>		
Cash	\$ 240,420	197,789
Investments	239,019	236,579
Total assets	479,439	434,368

LIABILITIES AND FUND EQUITY

Liabilities		
Funds held for school organizations	\$ 479,439	434,368

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Activities</u>	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Net</u> <u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
801 Football	\$ 3,013	25,461		27,060	1,414
802 Boys Basketball	1,959	6,251		6,845	1,365
803 Girls Basketball	2,682	8,349		5,252	5,779
805 Boys Baseball	247	3,279		3,411	115
806 Girls Softball	250	4,195		4,425	20
807 Wrestling	2	3,950		3,936	16
808 Boys Tennis	1,248	-		1,248	-
809 Girls Tennis	2,963	2,777		3,499	2,241
811 Boys Track	12,862	14,753		20,381	7,234
812 Girls Track	2,740	1,480		43	4,177
813 Golf	1,051	217		564	704
814 Cross Country	3,597	3,325		3,130	3,792
815 Soccer	2,053	2,722		3,996	779
816 Volleyball	1,321	3,894		4,236	979
821 Student Council	2,143	13,894		13,599	2,438
822 Library	9,352	52,728		49,161	12,919
823 PTA	37,785	107,987		95,264	50,508
824 Pictures	7,680	12,937		9,418	11,199
825 Courtesy/Flowers	586	4,241		3,107	1,720
826 Miscellaneous	57,519	86,031		91,995	51,555
827 Gifted & Talented	8,457	20,476		19,642	9,291
828 General Fund Refunds	125	15,349		3,250	12,224
829 Projects	22,357	67,836		75,553	14,640
831 S.A.D.D. -DFY	541	1,190		1,196	535
832 The Clothing Store	1,690	-		-	1,690
833 F.C.A.	252	-		100	152
834 Pom Squad	2,815	18,754		14,823	6,746
835 Yearbook	40,763	33,018		29,941	43,840
836 Youth Wrestling	-	1,476		1,400	76
837 French Club	801	604		733	672
838 Honor Society	2,605	2,304		3,088	1,821
839 F.H.A.-FCCLA	3,245	7,808		9,688	1,365
841 Cheerleaders	13,257	79,982		80,799	12,440
842 Vocal Music	5,067	31,696		32,882	3,881
843 Band	19,429	73,504		80,058	12,875
844 Indian Heritage	460	-		42	418
845 Basketball Tournament	1,109	12,030		10,392	2,747
846 Youth Volleyball	\$ 3,533	1,584		69	5,048

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
847 Success Grant Activity	\$ 4,424	-		1,384	3,040
848 Junior Class	4,574	8,080		8,637	4,017
849 Senior Class	57	-		57	-
851 F.B.L.A.-BPA	2,141	7,505		6,146	3,500
853 Foreign Student Account	-	5,000		1,481	3,519
854 F.F.A.	888	18,246		17,610	1,524
855 Science Club	3,445	10,835		8,371	5,909
856 Spanish Club	1,243	130		262	1,111
857 Gold Card Program	1,318	-		133	1,185
858 Athletic Department Fundraising	636	1,414		1,959	91
859 The Technology Account	1,247	1,033		1,108	1,172
861 Science Lab	1,155	4,912		3,189	2,878
863 THS Basketball Rebound (Boys)	3,333	17,564		17,195	3,702
864 Special Olympics	18,104	14,417		7,656	24,865
865 Competitive Cheerleading	2	-		-	2
867 T.H.S. Drama Club	3,845	8,500		7,225	5,120
869 Journalism Account	210	-		-	210
872 Hepatitis "B" Shot Deposits	100	-		-	100
873 Transportation	756	300		320	736
874 JROTC	6,250	10,826		8,068	9,008
876 OPAT	191	-		-	191
877 Maintenance Department	383	150		379	154
878 Student Store	513	-		513	-
879 Parking Permits Account	14,760	15,314		11,762	18,312
881 Accufax	857	5,400		5,220	1,037
882 Doyle Green Scholarship Fund	900	1,000		1,450	450
883 The Baseball Booster Club	3,810	22,942		23,570	3,182
884 Tiger Cage Camp	1,564	2,950		3,684	830
885 Lady Tiger Cage Camp	788	-		700	88
886 THS Basketball Rebound (Girls)	3,490	22,918		18,971	7,437
887 Tahlequah Kickoff Club	7,874	33,982		30,047	11,809
888 Tiger Softball Camp	6,439	16,370		17,181	5,628
889 THS Softball Booster Club	2,290	14,367		12,591	4,066
891 Tahlequah Band Booster	11,684	43,478		38,876	16,286
893 Tiger Takedown Club	3,313	19,517		20,238	2,592
895 Back Pack Food Program	5,585	4,998		5,003	5,580
896 Tiger Soccer Booster Club	208	3,968		2,854	1,322
898 Professional Development Account	\$ 485	675		588	572

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
REGULATORY BASIS - ALL AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Activities</u>	<u>Balance July 1, 2012</u>	<u>Additions</u>	<u>Net Transfers</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
902 THS Golf Booster Club	\$ 2,704	2,179		4,110	773
903 Tahlequah Tennis Booster Club	2,033	5,909		7,189	753
904 Academic Team	3,060	1,945		2,920	2,085
905 GED Testing Program	8,824	6,663		4,570	10,917
906 THS Cross Country Boosters	814	215		83	946
909 Girls Soccer Booster Club	2,881	6,423		5,139	4,165
911 Cherokee Language	10	-		-	10
915 THS Volleyball Camp	5,810	4,417		4,066	6,161
919 Soft Serve	916	-		747	169
922 Maurice Box Memorial	-	500		-	500
923 Para Pro Testing	-	225		225	-
925 Art Class	1,908	1,335		2,746	497
927 HOSA	1,006	20,449		18,710	2,745
931 Indian Education Activity	4,310	-		440	3,870
932 Drama Club Travel Account	51	-		-	51
933 THS Photography Club	68	-		-	68
935 AP Stat	2,196	1,235		353	3,078
938 English Club	360	-		-	360
941 Cherokee Elementary	243	3,074		1,964	1,353
942 THS Freshman Class	116	-		-	116
943 THS Algebra Class	637	330		785	182
TOTAL ASSETS - AGENCY FUNDS	<u>434,368</u>	<u>1,097,772</u>	<u>-</u>	<u>1,052,701</u>	<u>479,439</u>
LIABILITIES AND FUND EQUITY					
Funds held for school organizations	<u>\$ 434,368</u>	<u>1,097,772</u>	<u>-</u>	<u>1,052,701</u>	<u>479,439</u>

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal Grantor's/Pass-through Grantor's		Program or Award Amount	Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
	Federal CFDA Number	Number					
<u>U.S. Department of Education</u>							
<u>Direct Programs:</u>							
* Title VIII Impact Aid - 2013 - GF	84.041	S041B134221	49,445		49,445	49,445	
* Title VIII Impact Aid - 2013 - BF	84.041	S041B134221	115,092		115,092	115,092	115,092
* Title VIII Impact Aid - 2012 - BF	84.041	S041B124221		111,571		40,483	71,088
* Title VIII Impact Aid - 2011 - GF	84.041	S041B114221	11,483		11,483	11,483	
* Title VIII Impact Aid - 2011 - BF	84.041	S041B114221	9,877	98,059	9,877	107,936	
* Title VIII Impact Aid - 2010 - GF	84.041	S041B104221	116		116	116	
* Title VIII Impact Aid - 2010 - BF	84.041	S041B104221	8,257		8,257	8,257	
* Title VIII Impact Aid - 2009 - GF	84.041	S041B094221	377		377	377	
* Title VIII Impact Aid - 2009 - BF	84.041	S041B094221	3,848		3,848	3,848	
* Title VIII Impact Aid - 2008 - GF	84.041	S041B084221	356		356	356	
* Title VIII Impact Aid - 2008 - BF	84.041	S041B084221	9,251		9,251	9,251	
* Title VIII Impact Aid - 2007 - GF	84.041	S041B074221	199		199	199	
* Title VIII Impact Aid - 2007 - BF	84.041	S041B074221	5,490		5,490	5,490	
High School Counseling Grant 2011-12 - Note 1	84.215E	Q215E090012		(138,700)	138,700		
Postsecondary Education Preparation Project 2011-12 - Note 1	84.299A	S299A080043		(75,235)	75,235		
Title VII-Part A, Indian Education	84.060	S060A120854	364,087		321,897	364,087	(42,190)
Title VII-Part A, Indian Education 2011-12 - Note 1	84.060	S060A110854		(85,229)	85,229		
Subtotal			577,878	(89,534)	834,852	601,328	143,990
<u>Passed Through State Department of Education:</u>							
* Title I-Part A, Improving Basic Programs	84.010		1,196,266		867,078	1,154,295	(287,217)
Title I-Part A, Improving Basic Programs 2011-12 - Note 1	84.010			(426,440)	426,440		
* Title I School Support	84.010		8,803		8,803	8,803	
Title I School Support 2011-12 - Note 1	84.010			(21,491)	21,491		
* Title I-Part A Neglected	84.010		13,673		11,476	13,673	(2,197)
Title I-Part A Neglected 2011-12 - Note 1	84.010			(3,950)	3,950		
* Title I-Part C, Migrant Incentive	84.011		78,343		38,349	68,886	(30,537)
Title I-Part C, Migrant Incentive 2011-12 - Note 1	84.011			(35,096)	35,096		
Title II-Part A, Teacher & Principal Training	84.367		200,067		120,734	173,223	(52,489)
Title II-Part A 2011-12 - Note 1	84.367			(97,072)	97,072		
Title III-Part A Immigrant Subgrant	84.365		83		83	83	
Title III-Part A Immigrant Subgrant 2011-12 - Note 1	84.365			(2,004)	2,004		
Title III-Part A English Language Acquisition	84.365		\$ 28,950		19,612	23,262	(3,650)

**INDEPENDENT SCHOOL DISTRICT NO. 1-35, CHEROKEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Federal Grantor's/Pass-through Grantor's		Beginning Balance 7/01/2012	Revenue Collected	Total Expenditures	Ending Balance 6/30/2013
		Number	Program or Award Amount				
Title III-Part A English Language Acquisition 2011-12 - Note 1	84.365			(9,877)	9,877		
Special Education, Flowthrough, P.L. 105-17	84.027	\$	696,790		573,793	684,712	(110,919)
Special Education, Flowthrough 2011-12 - Note 1	84.027			(229,792)	229,792		
Special Education, Preschool, Ages 3-5, P.L. 105-17	84.173		11,396	(4,801)	9,289	11,134	(1,845)
Special Education, Preschool, Ages 3-5 2011-12 - Note 1	84.173				4,801	4,781	
IDEA-Systems of Care	84.173		5,000		4,781	4,781	
IDEA-Systems of Care 2011-12 - Note 1	84.173			(4,321)	4,321		
Title IV-Part B, 21st Century 2011-12 - Note 1	84.287			(63,387)	63,387		
Title VI-Small, Rural School Ach. Program	84.358		86,229		84,361	84,361	
Title VI-Small, Rural School Ach. Program 2011-12 - Note 1	84.358			(13,298)	13,298		
REACH Coaches	84.410		133,852		133,852	133,852	
Adult Basic Education	84.002		59,547		42,142	42,142	
Adult Basic Education 2011-12 - Note 1	84.002			(17,277)	17,277		
Adult Basic Education - Corrections/Institutions	84.002		7,149		4,798	4,798	
Adult Basic Education - Corrections/Inst. 2011-12 - Note 1	84.002			(2,105)	2,105		
Subtotal			2,525,148	(930,911)	2,850,062	2,408,005	(488,854)
Passed Through State Department of Career and Technology Education:							
Carl Perkins Grant	84.048		45,135	(48,109)	30,702	45,135	(14,433)
Carl Perkins Grant 2011-12 - Note 1	84.048			(48,109)	48,109		
Subtotal		\$	45,135		78,811	45,135	(14,433)
U.S. Department of Agriculture:							
Passed Through State Department of Education:							
* Child Nutrition Cluster:							
Non-Cash Assistance (Commodities):							
National School Lunch Program	10.555				79,529	79,529	
Non-Cash Assistance Subtotal					79,529	79,529	
Cash Assistance:							
National School Lunch Program	10.555				1,035,728	1,037,801	(2,073)
National School Lunch Program 2011-12 - Note 1	10.555			(3,983)	3,983		
School Breakfast Program	10.553				323,339	324,398	(1,059)
School Breakfast Program 2011-12 - Note 1	10.553			(1,833)	1,833		
Cash Assistance Subtotal				(5,816)	1,364,883	1,362,199	(3,132)
Total For Program (Cluster)				(5,816)	1,444,412	1,441,728	(3,132)

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Grantor's/Pass-through Grantor's Number</u>	<u>Program or Award Amount</u>	<u>Beginning Balance 7/01/2012</u>	<u>Revenue Collected</u>	<u>Total Expenditures</u>	<u>Ending Balance 6/30/2013</u>
Other Federal Assistance:							
Johnson O'Malley	15.130		\$ 72,550		40,135	72,550	(32,415)
Johnson O'Malley 2011-12 - Note 1	15.130			(17,280)	17,280		
Cherokee Nation CAN 2011-12 carryover	93.243		4,761	4,760		4,543	217
ROTC	12.000		64,778	10,348	64,778	64,778	10,348
Flood Control	12.112		8,700		8,700	8,700	
Subtotal			<u>150,789</u>	<u>(2,172)</u>	<u>130,893</u>	<u>150,571</u>	<u>(21,850)</u>
Total Federal Assistance			<u>\$ 3,298,950</u>	<u>(1,076,542)</u>	<u>5,339,030</u>	<u>4,646,767</u>	<u>(384,279)</u>

* Major federal programs

Note 1 - These amounts represent reimbursements for prior year expenditures which were not received until the current fiscal year.

Note 2 - Commodities received by the District in the amount of \$79,529 were of a non-monetary nature and therefore the total revenue does not agree with the financial statements by this amount.

Note 3 - This schedule was prepared on a regulatory basis of accounting consistent with the preparation of the combined financial statements.

**INDEPENDENT SCHOOL DISTRICT I-35, CHEROKEE COUNTY
 SCHEDULE OF SURETY BONDS
 FOR THE YEAR ENDED JUNE 30, 2013**

<u>BONDING COMPANY</u>	<u>POSITION COVERED</u>	<u>BOND NUMBER</u>	<u>COVERAGE AMOUNT</u>	<u>EFFECTIVE DATES</u>
Liberty Mutual	Superintendent	601032323	\$100,000	7/1/12-7/1/13
	Treasurer	601032323	\$100,000	7/1/12-7/1/13
	Activity Fund	601032323	\$100,000	7/1/12-7/1/13
	Encumbrance/Minutes Clerk	601032323	\$100,000	7/1/12-7/1/13
CNA Surety	Deputy Treasurer	601-69529648	\$100,000	7/1/12-7/1/13



Jack H. Jenkins, CPA *A Professional Corporation*

**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER
FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL
STATEMENTS – REGULATORY BASIS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Honorable Board of Education
Tahlequah School District No. I-035
Tahlequah, Oklahoma 74465-0517

I have audited the regulatory basis financial statements of Tahlequah School District No. I-035, Tahlequah, Oklahoma, as of and for the year ended June 30, 2013, and have issued my report thereon dated December 13, 2013. The audit opinion was adverse to generally accepted accounting principles because the District prepares its financial statements on a basis of accounting prescribed by the Oklahoma State Department of Education that complies with the cash and budget laws of Oklahoma, which is a comprehensive basis of accounting other than generally accepted accounting principles and qualified as to the preparation of financial statements prepared on that basis. I conducted my audit in accordance with generally accepted auditing standards accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered the District's internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the combined financial statements - regulatory basis, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

My consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. There can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. I did not identify any deficiencies in internal control over financial reporting that I consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed one (1) instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Questioned Costs. I also reported this matter to the District's management in a separate letter dated December 13, 2013.

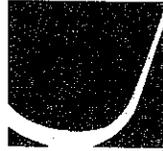
The District's response to the finding identified in my audit is described in the letter following the Schedule of Findings. I did not audit the District's response and, accordingly, I express no opinion on it.

This report is intended solely for the information of the school board, management, Oklahoma State Auditor and Inspector's Office and the Oklahoma State Department of Education, and is not intended to be and should not be used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

December 13, 2013



Jack H. Jenkins, CPA *A Professional Corporation*

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

The Honorable Board of Education
Tahlequah School District No. I-035
Tahlequah, Oklahoma 74465-0517

Compliance

I have audited the compliance of Tahlequah School District No. I-035, Tahlequah, Oklahoma, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2013. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. My responsibility is to express an opinion on the District's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the District's compliance with those requirements.

In my opinion, Tahlequah School District No. I-035, Tahlequah, Oklahoma complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2013. The results of my auditing procedures disclosed no instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133.

Internal Control Over Compliance

The management of Tahlequah School District No. I-035, Tahlequah, Oklahoma is responsible for establishing and maintaining effective internal control over compliance with requirements of laws,

regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information of the board of education and management, all applicable federal and state agencies, and those other Governments from which federal financial assistance was received and is not intended to be, and should not be, used by anyone other than these specified parties.



Jack H. Jenkins
Certified Public Accountant, P.C.

December 13, 2013

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2012 TO JUNE 30, 2013

Summary of Auditor's Results

1. The auditor's report expresses an adverse opinion on the combined financial statements in conformity with generally accepted accounting principles and a qualified opinion for the omission of the general fixed asset account group on the combined financial statements in conformity with a regulatory basis of accounting prescribed by the Oklahoma State Department of Education.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Schedule of Findings and Questioned Costs.
3. No instances of noncompliance material to the financial statements of the District were reported during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the "Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133"
5. An unqualified opinion report was issued on the compliance of major federal award programs.
6. The audit disclosed no audit findings and questioned costs, which are required to be reported under OMB Circular A-133 § 510(a).
7. The programs tested as major federal programs were: Title I and Child Nutrition programs which were each clustered in the determination and the Impact Aid Program.
8. The dollar threshold used to determine between Type A and Type B programs was \$300,000.
9. The District did not qualify to be a low-risk auditee.

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JULY 1, 2012 TO JUNE 30, 2013**

Findings – Financial Statement Audit

13-01 – Treasurer Software

Condition: The District Treasurer did not use the accounting software to reconcile the appropriated funds to the bank statements. The Treasurer did reconcile to the bank statement monthly using a separate spreadsheet, outside of the software.

Criteria: The Treasurer should reconcile the balances in the accounting software to the bank statement on a monthly basis.

Effect: Reconciling outside of the software may cause the District's OCAS coding information to be inaccurate regarding revenues and beginning and ending fund balances.

Recommendation: I recommend that the District Treasurer use the accounting software to reconcile to the bank statement monthly to ensure the correct accounting information is submitted to the State Department of Education at fiscal year-end.

Findings and Questioned Costs – Major Federal Award Programs Audit

None

**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
DISPOSITION OF PRIOR YEAR'S SCHEDULE OF FINDINGS
JULY 1, 2012 TO JUNE 30, 2013**

None.

INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
SCHEDULE OF ACCOUNTANT'S PROFESSIONAL
LIABILITY INSURANCE AFFIDAVIT
JULY 1, 2012 TO JUNE 30, 2013

State of Oklahoma)
County of Tulsa)

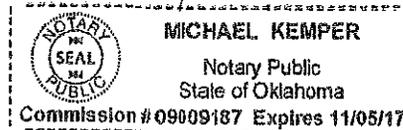
The undersigned auditing firm representative of lawful age, being first duly sworn on oath, says that said firm had in full force and effect Accountant's Professional Liability Insurance in accordance with the "Oklahoma Public School Audit Law" at the time of audit contract and during the entire audit engagement with Tahlequah School District for the audit year 2012-13.

Jack H. Jenkins, CPA, P.C.
AUDITING FIRM

BY Jack H. Jenkins
AUTHORIZED AGENT

Subscribed and sworn to before me on this
13th day of December, 2013

Michael Kemper
NOTARY PUBLIC



**INDEPENDENT SCHOOL DISTRICT NO. I-35, CHEROKEE COUNTY
AUDIT ACKNOWLEDGEMENT
JULY 1, 2012 TO JUNE 30, 2013**

The annual independent audit for Tahlequah School District was presented to the Board of Education in an Open Board Meeting as indicated below, by Jack H. Jenkins, CPA, P.C.

The School Board acknowledges that as the governing body of the district, responsible for the districts financial and compliance operations, the audit findings and exceptions have been presented to them.

A copy of the audit, including this acknowledgement form, will be sent to the Oklahoma State Department of Education within 30 days from it's presentation, as stated in 70 O.S. § 22-108:

"The local board of education shall forward a copy of the audit report to the State Board of Education within thirty (30) days after receipt of said audit."

Lise Pross
Superintendent of Schools

12-16-13
Date of Board Meeting

Sharon
Board of Education President

Connie Harrett
Board of Education Clerk

Brian Bony
Board of Education Vice President

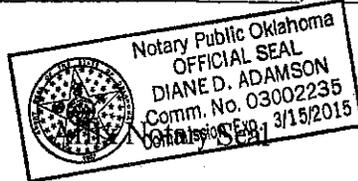
Sharon Ballew
Board of Education Member

Donna Annunzio

Sharon Ballew
Board of Education Member

Subscribed and sworn to before me on this 16th day of December, 2013
My commission expires on 15th day of March, 2015.

Diane D. Adamson
Notary Public





Jack H. Jenkins, CPA *A Professional Corporation*

December 13, 2013

Tahlequah Public Schools
Attn: Ms. Diane Adamson
PO Box 517
Tahlequah, OK 74465-0517

Dear Ms. Adamson:

Listed below are the audit exceptions and recommendations from the final audit work we performed for you. Please review them carefully along with the copy of your audit report. We will mail out a copy of the audit report to the State Department of Education and Oklahoma State Auditor and Inspector's Office within 30 days after the presentation of your audit. If you have questions or desire additional information, please call us so that any discrepancies may be resolved.

The following section contains exceptions relayed to management that are immaterial instances of noncompliance with laws and regulations and which are included in the audit report. These comments require a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

13-01 – Treasurer Reports

During the audit, I observed that the District Treasurer was not using the accounting software to reconcile the appropriated funds' cash balances to the bank statement each month. A reconciliation was being done using a separate report based on information gathered from the accounting software. These reports did not reconcile to cash at the bank, however. The balances reported and the bank balances are as follows:

<u>As of</u> <u>June 30</u>	<u>Report</u> <u>Balance</u>	<u>Bank</u> <u>Balance</u>	<u>Difference</u>
General Fund	\$ 10,390,137	10,386,598	3,539
Building Fund	2,550,694	2,557,398	(6,704)

I recommend the Treasurer use the accounting software to reconcile to cash on a monthly basis to ensure that the proper financial information is reported to the board and to the State Department of Education at fiscal year-end.

The following section contains an audit exception and recommendation relayed to management that is a certain matter which was not included, but was referred to, in the audit report. This comment requires a written response from your office to be included in the copy of the audit report that we send to the State Department of Education.

Federal Program Expenditures

I observed that the District failed to properly code expenditures to several Federal programs. These programs and the expenditure amounts are as follows:

		<u>OCAS</u>	<u>SEFA</u>	<u>Ind. Cost</u>	<u>Diff.</u>	
ABE Literacy	731	59,870.28	42,141.93	-	17,728.35	*1
ABE Corrections	733	7,149.00	4,797.87	-	2,351.13	*1
Federal Lunch	591	1,039,711.16	1,037,801.13	-	1,910.03	*1
Federal Breakfast	698	325,171.98	324,398.79	-	773.19	*1

*1-Excess coding, not reimbursed by program.

I recommend, prior to submittal of year-end reports, that District's management perform a reconciliation between federal revenue received and expenditures paid, to ensure that all expenditures have been properly coded.

We take this opportunity to thank you and your professional staff for the outstanding cooperation and invaluable assistance you gave us during our recent onsite audit work.

Sincerely,



Jack H. Jenkins
Certified Public Accountant, P.C.

**TAHLEQUAH
PUBLIC
SCHOOLS**

TIGERS

Removing
Obstacles
Achieving
Results

*Lisa M. Presley
Superintendent*

*Terry Garrett
Executive Director
Technology
& Operations*

*Nancy K. Jones
Executive Director
Special Services*

*DeAnn Mashburn
Executive Director
HR & Secondary
Curriculum*

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WEB PAGE:
www.tahlequahschools.org

December 20, 2013

Jack H. Jenkins, CPA
Certified Public Accountant, P.C.
10026-A South Mingo Rd #309
Tulsa OK 74133-5700

Dear Mr. Jenkins,

We are providing this response letter in connection with your audit of the combined financial statements of Tahlequah Public Schools I-035, Cherokee County, as of June 30, 2013, and for the 2012-2013 fiscal year then ended.

In the future, TPS will perform a year-end reconciliation to ensure federal revenues match up with federal expenditures.

In regards to the Treasurer's finding, we have been in contact with our software company, Municipal Accounting Systems, they will be assisting us in bringing our software into balance with the bank statement. Moving forward our accounting software monthly reports will reconcile with the bank statement.

Sincerely,



Lisa Presley, Superintendent